

# **Exhibit B**

From: Coffee Break <[REDACTED]@gmail.com>  
Date: October 23, 2022 11:55:46 AM (-05)  
To: [REDACTED] <[REDACTED]@sec.gov>; [REDACTED] <[REDACTED]@sec.gov>  
Subject: **Popular Influencer Logan Paul Defrauds Investors with Unregistered Security Offering - CryptoZoo**

Attachments: Crypto Zoo SEC Report.pdf;

Just wanted to let you guys know that I just submitted a detailed report on Logan Paul's involvement with CryptoZoo to TCR, also attached here.

**Here's a quick synopsis:**

- CryptoZoo is both a cryptocurrency investment and "play-to-earn" game involving the sale of \$ZOO tokens, and NFTs (non-fungible tokens).
- It was created and promoted by Logan Paul, a popular millennial celebrity with 24 million instagram followers, 23 million Youtube subscribers and 5 million twitter followers.
- Logan Paul used his massive influence to recklessly cause millions of dollars in damages to investors through the sale of unregistered securities of a "play-to-earn" game.
- Logan Paul and the CryptoZoo team knowingly targeted unsophisticated investors.
- The game which sold millions does not work.

If anyone from the SEC is interested in having a more detailed discussion about it, I am certainly more than willing to talk. It's outrageous.

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Thanks,  
Stephen Findeisen, Creator of Coffeezilla

## Popular Influencer Logan Paul Defrauds Fans With “Blockchain Play-To-Earn Game” That Doesn’t Work



### Crypto Zoo WhistleBlower Complaint

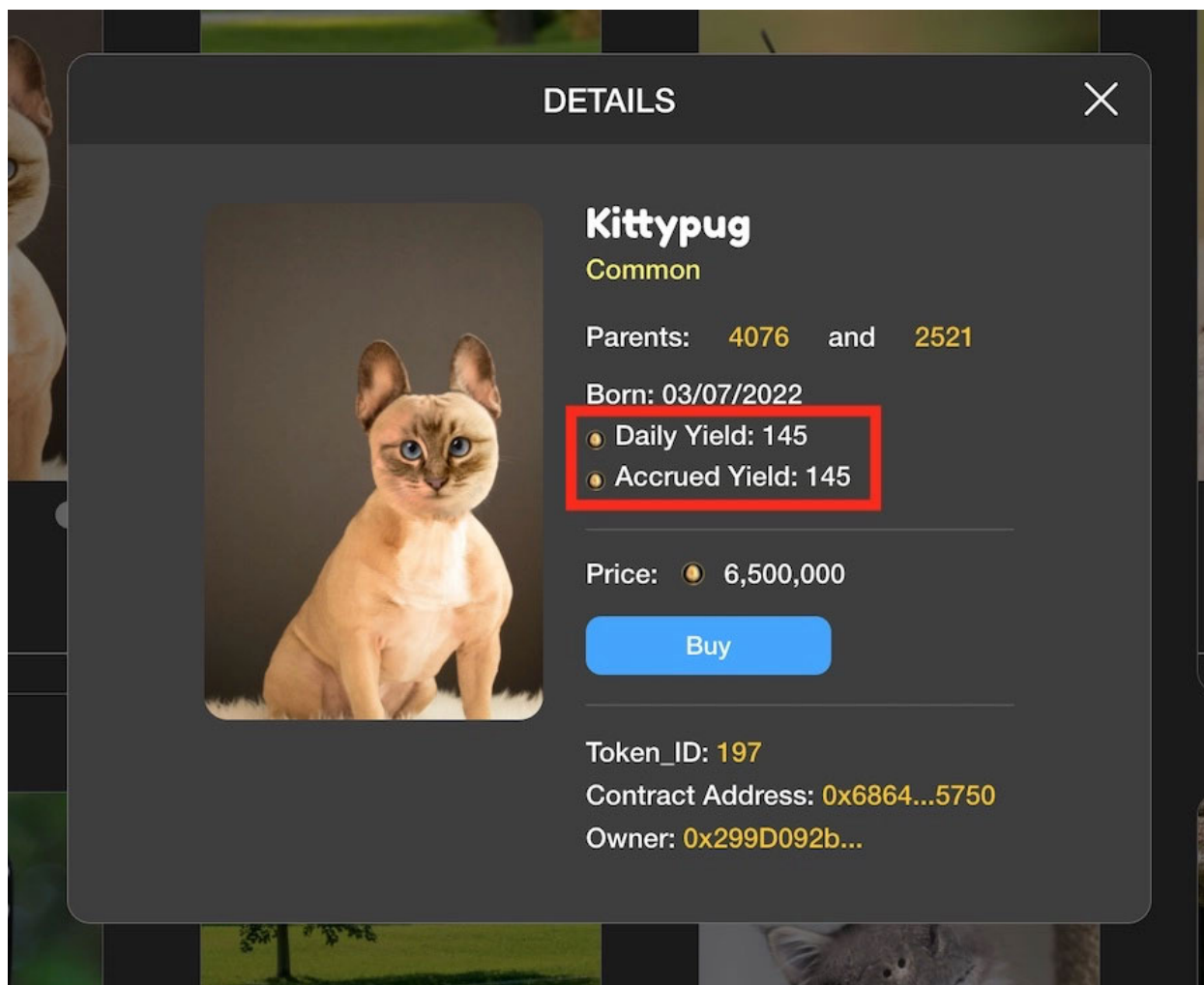
#### Synopsis:

- CryptoZoo is both a cryptocurrency investment and “play-to-earn” game involving the sale of \$ZOO tokens, and NFTs (non-fungible tokens).
- It was created and promoted by **Logan Paul**, a popular millennial celebrity with 24 million instagram followers, 23 million Youtube subscribers and 5 million twitter followers.
- Logan Paul used his massive influence to recklessly cause **millions of dollars in damages** to investors **through the sale of unregistered securities** of a “play-to-earn” game.
- Logan Paul and the CryptoZoo team knowingly targeted **unsophisticated investors**.
- The game which sold millions **does not work**.

## Full Report - Introduction

The core promise of CryptoZoo was simple. There are two ways to invest.

1. Buying a \$ZOO crypto token located on the binance smart chain.
2. Buying Animal Hybrid NFTs with \$ZOO tokens which create a “yield” of \$ZOO tokens each day, as seen below.



Example of \$ZOO “yield” advertised by CryptoZoo with one of their NFTs [15]

This “yield”, the ability to passively earn \$ZOO tokens is what Logan Paul means when he claimed to his audience on August 19th 2021 - **“it's [CryptoZoo] a really fun game that makes you money”** and **“it [CryptoZoo] provides a yield with a token can earn you money”** [1][2]

From these statements alone it is clear that CryptoZoo was intended to be an investment, not merely a game. This genre of “play-to-earn” games has become popular in recent years.

This presentation of CryptoZoo mechanics is a simplification of the Crypto Zoo game and ecosystem. There are numerous mechanics of getting new “animals”, buying “egg” NFTs, and “breeding” your animals and I’ve included a full breakdown of one of CryptoZoo’s websites which functions as a WhitePaper. [3] The full explanation is irrelevant for this report as the fundamental claim is not changed. It is as simple as Logan Paul describes: ***you can make passive income or “yield”, by investing in CryptoZoo Animals, which you buy with the CryptoZoo Token (\$ZOO).***

## Crypto Zoo Attracted Millions and Delivered Nothing

To date, this project has sold millions of dollars in Crypto Zoo “NFTs” and millions of dollars of \$ZOO tokens, *yet the core promise has never materialized*. The animals, almost a year after being sold, **STILL DO NOT WORK. The animals do not yield anything. The claim that the animal NFTs generated \$ZOO was totally false.**

This is confirmed by an investor who bought some of these NFTs, whom I interviewed:

**Investor 1:** I do have one of one NFT, I do have a few ducks. I honestly I had quite a few.

**Whistleblower:** So you are actually you do have the animals. *Are you aware the animals do not yield zoo like they're supposed to?*

**Investor 1:** Oh, *it never did from the beginning*. there, it wasn't even written into the contract, where it showed that you could, that you were actually yielding \$ZOO. But there was nothing that was actually backing that up. *There was no way to claim your yield. There never was.* [6]

## The Smart Contract is a 1 for 1 Copy

The CryptoZoo smart contract, which changed 3 times, has finally settled on a version which is completely unoriginal and required 0 development. This can be seen when comparing CryptoZoo’s contract “0x7fFC1243232da3Ac001994208E2002816b57c669” to others, via an automated audit platform called TokenSniffer.

This website automatically compares a smart contract to others on the blockchain to check for similarities. As seen below, the CryptoZoo contract is simply a 1:1 copy of “FlokiShibX” which was created 91 days before CryptoZoo.

## Similar Token Contracts

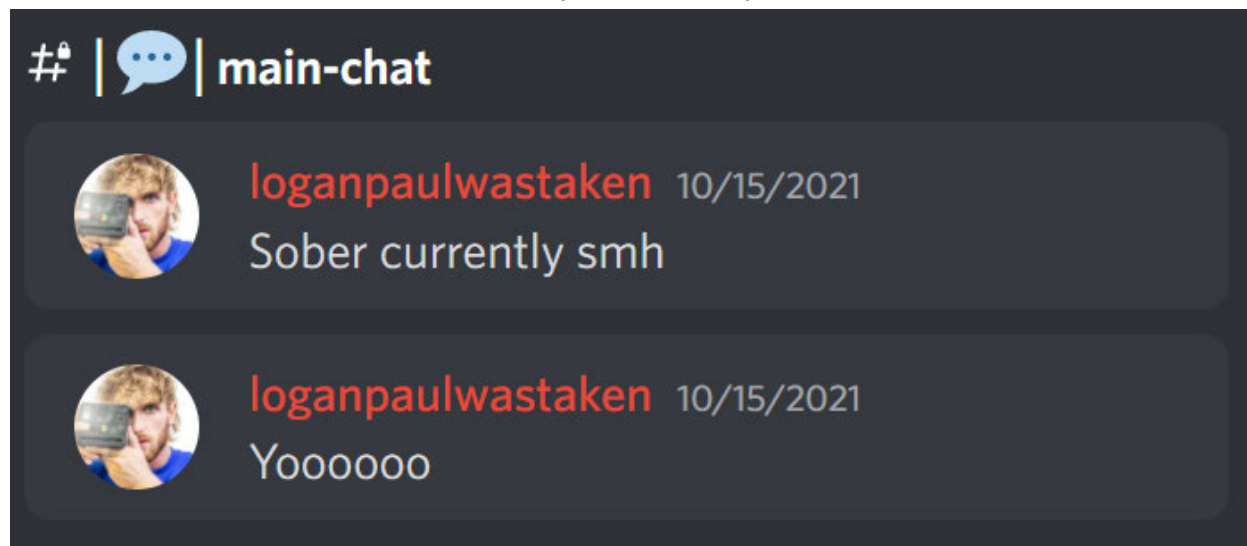
| Likeness | Name/Symbol                                       | Address       | Network | Deployed | Diff                 |
|----------|---|---------------|---------|----------|----------------------|
| 1.00     | Knoble Knight (KK)                                | 0x38ce...0e6f | FTM     | +73d     | None                 |
| 1.00     | Leprechaun (LPC)                                  | 0xad08...0088 | BSC     | -11d     | None                 |
| 1.00     | SolarHexx (HEXX)                                  | 0xe384...9f3b | BSC     | +44d     | None                 |
| 1.00     | DEFIARB (ARBB)                                    | 0x8123...3cd9 | ETH     | +52d     | None                 |
| 1.00     | FlokiShibX (FLOKISHIBX)                           | 0xabcc...ebeb | BSC     | -91d     | None                 |
| 1.00     | Green Zugacoin (GSZC)                             | 0x6b30...374c | BSC     | +17d     | None                 |
| 1.00     | Planeteer (PTR)                                   | 0xc5f2...41fa | BSC     | +15d     | None                 |
| 1.00     | VIRTUALCOINS the official VIRTUALCONS Coin (VC... | 0x461d...a2eb | BSC     | -35d     | None                 |
| 1.00     | Light Sheaf Token (LST)                           | 0x644c...1e9e | BSC     | -6d      | None                 |
| 0.86     | FC Repacking Enterprise (FCRE)                    | 0x010f...c598 | POLY    | +53d     | <a href="#">View</a> |

Picture of tokensniffer's automated audit results showing a likeness of "1.00" which means no difference [11]

This is significant because of CryptoZoo's later representations of spending a "million" on the project for development. [5]

## CryptoZoo Team Abandons The Project

Since launch, the core team, and Logan Paul have seemingly vanished. Logan Paul has only spoken in the shared message forum for investors twice since it's creation a year ago, to let investors know that he was "Sober currently smh" and say "Yoooooo"



Search within CryptoZoo Discord reveals only 2 messages from Logan Paul

This lack of communication was noticed by an investor who said the following

**Investor 1:** “just the way that they neglected any communication with the community... There's no morality. *It's just anything that's going to get that next person to buy or just hang on a little bit longer.*” [7]

Since then, Logan Paul has launched **another** new NFT project “99Originals” which, like this project, also sold out immediately due to his massive celebrity. This shift in focus, from CryptoZoo to 99Originals demonstrates that he has moved on, and does not intend to continue working on the project.



## Investors Have Material and Emotional Damage

The message forum where Logan Paul has communicated only twice is called Discord and through it I was able to locate disgruntled victims of this investment fraud. Some of them were willing to be interviewed about their losses. **A video of several of these interviews and victims have been submitted alongside this report.** It demonstrates both material and emotional harm. Full copies of the interviews can also be provided upon request. Losses varied considerably, with some investors claiming to have lost \$500,000, others only \$5,000-\$10,000.

Stories ranged widely from a single mother who put in her Christmas money thinking it would help her family, to a man who claims to have lost \$500,000 believing that Logan Paul would deliver on his promises. Here are some excerpts:

**Investor 2:** “As a single mum... I know you shouldn't invest what you can't afford to lose, but *this was meant to be money to make me and my kids lives better.* I eventually want to buy a house. Starting over in a divorce in your forties is never an easy. *And I just wanted to make mine and my children's lives easier.* [8]

**Investor 3:** “We don’t have a platform to you know, complain like, you know *these guys stole from us, they scammed us.*” [9]

## There are thousands of victims

While I have selected a small portion of victims to share their stories, I have personally interviewed a dozen people, and know of multiple victim groups some of whom have nearly 300 users in it. Many of them talk about legal action but most are frankly not rich enough to afford a lawsuit.

Given that the token has lost over 90% of it’s value, and that only a small percent of motivated victims will join such victim groups, the true number of victims is likely in the thousands.



Chart from \$ZOO's 90% drop in price: sourced from a common BSC tracking website [10]

This is further evidenced by the blockchain contract of \$ZOO which shows the number of unique addresses which hold a given token (holders). For \$ZOO this number is **19,102 unique “holders”**. Even assuming some holders have multiple wallet addresses, there are easily

thousands of victims.

|               |                             |
|---------------|-----------------------------|
| Total Supply: | 1,999,730,622,307.095 ZOO ⓘ |
| Holders:      | 19,102 addresses            |
| Transfers:    | 187,264                     |

## CryptoZoo Targeted Unsophisticated Investors

Throughout my conversations with many victims, I found this investment specifically targets naive, unsophisticated investors through the guise of “play-to-earn” gamification mechanics and through using Logan Paul’s celebrity status.

However it is not just my observation that the investors seemed unsophisticated, the Crypto Zoo team explicitly admit that they target naive investors. From their introduction on the game:

“CryptoZoo offers an inclusive ecosystem, **open to less tech-savvy users**. Through **gamification**, **low barriers-to-entry**, and **investor-friendly yield mechanics**, the game makes blockchain technology accessible to a **broad consumer base**, including new participants to the cryptocurrency and NFT space.” [4]

This makes this investment more dangerous than your average cryptocurrency investment, which often has high-barriers to entry and therefore attracts more sophisticated investors. Crypto Zoo in contrast, defrauded unsophisticated investors by design, investors which the SEC has an obligation to protect.

## Cryptozoo passes the Howey Test.

Not only has Crypto Zoo defrauded investors however, it also represents a CLEAR unregistered security by the textbook definition provided by the Howey Test.

- 1) it is an investment of money;
- 2) in a common enterprise;
- 3) there is a reasonable expectation of profits from the investment;
- 4) the profits are to be derived from the entrepreneurial or managerial efforts of others.

**It is an investment of money** in two senses, to buy \$ZOO and to buy the egg and animal NFTs which generate “yield” of \$ZOO which can be sold for more money.

**It is a common enterprise**, with it being called a game [1] and with claims of significant capital investment and a team behind it. Logan Paul says in the announcement: “*we have a massive team behind it and are probably out of pocket like a million*” [5]

This quote [5] showed investors that not only was this a common enterprise but **the profits were expected to be derived from the work of Logan Paul and his team**, with the development of this “fun game that makes you money”.

**There was a reasonable expectation of profit** with Logan Paul advertising to people that they could “earn money” as shown earlier. [1][2]

## Calculating Damages

Perfectly calculating damages in any crypto project is hard because it requires knowledge of who owns what wallets. Additionally, CryptoZoo migrated smart contracts 3 times, meaning there are technically 3 versions of \$ZOO, which makes the problem even more difficult.

However we can get an estimate of the total investment activity and possible scope of damages from three sources. (1) NFT Initial Mint Sales, (2) NFT Secondary Volume (3) \$ZOO Trading Volume.

### (1) Initial NFT Mint

Cryptozoo’s mint occurred on 09/06/2021. NFT initial “minting” is an important part of every NFT project and this is where the NFTs are first created. The money gained from this goes to CryptoZoo, like a stock IPO. There were two ways to mine “EGGS” with Cryptozoo, through paying ETH or paying \$ZOO. We will calculate both.

Eth contract: 0xccee4d557588e982ecf3a2391d718c76589d8af9

This smart contract generated 351.1922718 Eth, at a historical USD value of \$3948.91/eth. Meaning CryptoZoo made \$1,386,826.67 on eth.

\$ZOO contract: 0x24d4b6ba0726ec6ba0297084be938278247e046b

With 5,845 purchases of eggs through \$ZOO at a price of 500,000 per egg, we find that 2,922,500,000 \$ZOO was spent. At a historical price of \$0.0003938 \$ZOO/USD Cryptozoo made \$1,150,880.50 on \$ZOO.

*Estimated Initial NFT Mint: \$2,537,707.17*

### (2) NFT secondary volume

This is more like the trading of a stock on an open exchange, except that the NFT creator can also set a “fee” which gives a small % of each sale back to the creator. In this case the fee is 2.5%.

Calculating this seems trivial with OPENSEA, which is an open market place for NFTs. It shows a trading volume of 2939 eth,[13] which at today's price (10/23/2022) is worth \$3,843,638.50

However this is less than half the picture. Only 4,160 out of 10,000 EGGS are on the ethereum chain. More than half of the EGGS, 5840 of them are on the binance smart chain, which is not listed on OpenSea and instead on the cryptozoo internal platform.

This requires us to estimate that volume on these eggs was roughly similar to the opensea traffic. This leaves us with an estimated NFT trading on cryptozoo's internal platform of: \$5,395,877.12

*Estimated NFT Trading Volume: \$9,239,515.62*

### **(3) \$ZOO Trading Volume**

To my knowledge \$ZOO didn't have a presale so most trading was done on a secondary market known as pancake swap. There are aggregators of this data like CoinmarketCap.com which collect historical price data and volume. This makes this calculation trivial. [14]

*Estimated \$ZOO Trading Volume: \$467,430,058*

## **Analysis**

In total, the majority of volume was in the trading volume of the \$ZOO token, and NFT sales were relatively minor in comparison, however it's worth noting NFT sales, specifically mints were essentially pure profit.

That said, it is highly probable the CryptoZoo team profited off the token itself as well. Note that the team allotted themselves 25% of the tokens to themselves for "development, marketing, and founders".

## Distribution

Total \$ZOO Tokens: 2,000,000,000,000

- Game wallet: 1,000,000,000,000
- Circulation: 1,000,000,000,000
  - 500,000,000,000 available to public
  - 500,000,000,000 allocated to development, marketing, and founders
    - Locked for 6 months from allocation
    - After 6 months, 10% of allocation unlocked per month for next 10 months

From CryptoZoo's gitbook[12]

As far as I'm aware these tokens were not formally locked up for 6 months as planned, however more investigation is needed to determine exactly who might've dumped and for how much.

## Conclusion:

Cryptozoo was an unregistered security sold by one of the highest profile celebrities in the world. It was intentionally sold to unsophisticated investors who invested millions of dollars into CryptoZoo, and who now are left down over 90% on their investment.

Investors were lured in on promises of technology that did not work, which in addition to a securities violation also constitutes fraud. Claims were made about making money through "yield" and the "technology" (NFT animals and \$ZOO tokens) which sold before it ever worked. A year later after these promises were made and money was spent, the yield system still does not work.

This is akin to other high profile cases of investor fraud, for example: Elizabeth Holmes deceiving investors of Theranos with claims of a blood device that doesn't work, or Trevor Milton deceiving investors of Nikola with a hydrogen-powered truck that doesn't work. In the same way, Logan Paul deceived investors of CryptoZoo with claims of a blockchain game to earn you money that didn't work and from all appearances never worked.

The only difference in these cases is that *Logan Paul knowingly targeted unsophisticated retail investors instead of sophisticated wall street investors. Not only that, he targeted them with unregistered securities.*

For all of these reasons, I'm reaching out to the SEC in the hopes of justice for the thousands of victims who've been affected, some of whom are included in this report.

Note: The SEC is free to share this report with the FBI or other law enforcement agencies who may be able to help.

## References

- [1] <https://youtu.be/rqrH7TbruZA?t=283> "it's a really fun game that makes you money"
- [2] <https://youtu.be/rqrH7TbruZA?t=65> "it provides a yield with a token can earn you money"
- [3] <https://cryptozoo-1.gitbook.io/cryptozoo/>
- [4] <https://cryptozoo-1.gitbook.io/cryptozoo/> - in the introduction section.
- [5] <https://youtu.be/rqrH7TbruZA?t=100> "we have a massive team behind it and are probably out of pocket like a million just because we believe it's gonna work. On development? Yeah"
- [6] CryptoZooVictims1.mp4 Provided in this report, timestamp 4:14
- [7] CryptoZooVictims1.mp4 timestamp 4:06
- [8] CryptoZooVictims1.mp4 timestamp 2:00
- [9] CryptoZooVictims1.mp4 timestamp 4:00
- [10] <https://poocoin.app/tokens/0x7ffc1243232da3ac001994208e2002816b57c669>
- [11] <https://tokensniffer.com/token/qzzbpip6ns40un0nf2l9i09bx dg4x6ohhesnxv4anxmxm nv6pkej l1qbkkeh?r=5609>
- [12] <https://cryptozoo-1.gitbook.io/cryptozoo/tokenomics>
- [13] <https://opensea.io/collection/cryptozoo-co> this webpage shows total trading volume.
- [14] <https://coinmarketcap.com/currencies/zoo/historical-data/> historical data from 09/01/21 through 10/23/22
- [15] <https://cryptozooworld.com/yield/> a website explaining how CryptoZoo yield was supposed to work